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Too many young people face an avalanche of credit debt



**JOHN C.
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GUEST
ESSAYIST

I'm on a mission, but I need your help. You don't usually hear a federal judge say that, but I sit in Bankruptcy Court, and, day after day, I see debtors staggering under tons of debt.

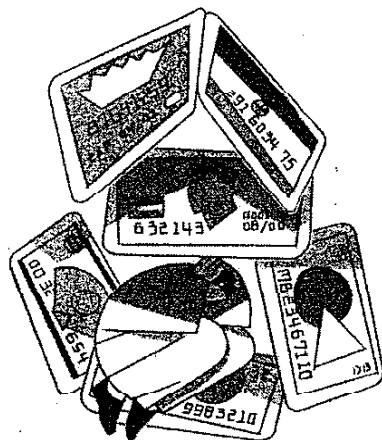
So my mission is to reach young people, to tell them that this doesn't have to be their fate. They don't have to grow into adults racked by the fears that come with knowing they can't pay their bills. They need not experience the humiliation of having to open their lives to strangers in Bankruptcy Court in hopes of keeping a roof over their heads. They can keep control of their lives and have the financial security and resources to be able to educate their children and retire comfortably.

A key focus of mine is the credit card — the magic plastic that puts the world's goods and services at your fingertips with just your signature, cyber click or a toll-free phone call.

My mission would be easier if I could just say that the credit card is the devil's work, and I'm the good guy fighting evil. But the reality is that credit cards are useful, even necessary, if you want to rent a car, check into a hotel, establish a credit history, avoid carrying a wallet full of cash, or deal with an emergency.

Unfortunately, there is trouble when the temptation of credit cards overwhelms us. This is happening as never before, as indicated by the record number of personal bankruptcy filings this year both nationwide and in the Rochester area.

So, because this is not a black-and-white matter, I must resort to the one tool that can be effective — education. I have been speaking in the middle schools, high schools and colleges for years, but I need the eyes and ears of more young people. I have now been



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joined on my mission by 20 attorneys, members of the Bankruptcy Court Committee of the Monroe County Bar Association. They are ready and anxious to speak to your students, your children or grandchildren, not by lecturing or scolding them, but by sharing lessons and experiences learned in and around the Bankruptcy Court from the many who have fallen victim to the temptations of our competitive consumption society and easy credit.

Here are a few easy rules we discuss in our presentation:

1. Have a budget and live within it. Focus on the difference between what you need and what you want.
2. To spend less, use a debit card, check or cash whenever possible. Remember also, shoppers with store credit cards spend more in that store.
3. Don't have more than one credit card and shop around for the one you choose. Interest rates, fees and terms, such as when payments are considered received, differ. Rip up the endless stream of unsolicited offers for new cards and cut up all unsolicited cards.
4. Unless it is for an emergency, don't use a credit card unless you'll have enough cash to pay off the entire balance on your next bill. Remember, the credit card interest rate is usually around 21 percent. If you owed \$1,000

on a card, made no further purchases, and just made the monthly minimum payments — the worst thing you could do — it would take you 7½ years to pay it off. By that time you'd have spent \$2,000 for the \$1,000 item.

5. If you already have accumulated debt, formulate an effective plan to pay it off. Keep careful records of everything you owe, and be concerned if your balances keep increasing.

6. If you hit hard times, your primary strategy should be to cut back. If you lose your job, for example, relying on credit to maintain your spending level could easily be ruinous. You never know when you'll get another job and what your salary will be.

7. If you can't pay your bills each month without resorting to a credit card or a line of credit, recognize that you are in serious trouble and get immediate credit counseling.

When I speak with non-student groups, people often say that they wish they had been given this kind of needed information when they were younger, before they got themselves into financial hot water.

Unfortunately, as Robert D. Manning, a professor at the Rochester Institute of Technology who wrote *Credit Card Nation*, has emphasized, so many of our young people are financially illiterate.

We are available to speak to school classes, youth groups, or any other appropriate gatherings where those we need to reach can hear us out and get their questions answered. We have a lot more to share than just a handful of rules. You can schedule one of us by calling between 8:30 a.m. and 4:30 p.m., Monday through Friday at (585) 263-3148 or sending an e-mail to webmaster@nywb.uscourts.gov.

If you are a school administrator, teacher, head of a youth group or concerned parent, please help me on my mission to reduce the number of "customers" in the Bankruptcy Court. I am sorry to report that business here has been much too good for far too long. ☐

Ninfo is a judge with the U.S. Bankruptcy Court, Western District of New York.

Bankruptcy Committee Of MCBA Reaches Out To Educate Students

Expanded Educational Initiative Involves More Than 20 Experienced, Knowledgeable Attorneys

BY NORA A. JONES, ESQ., EDITOR

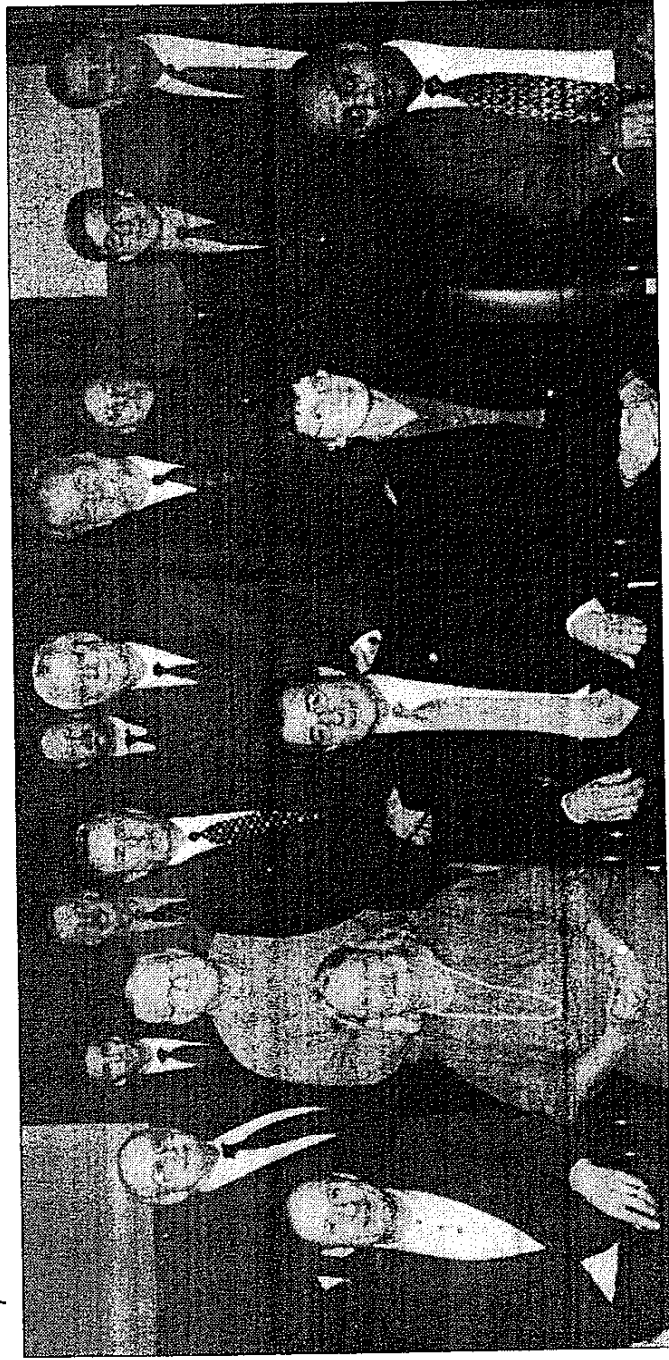
How many credit card applications did you receive in your mailbox or via e-mail this month?

More and more people are tempted into overspending because it is so easy to get credit cards. And, with too many credit cards readily available, many find themselves falling deeper and deeper into debt.

How do we solve this problem? Education.

At least that is what U.S. Bankruptcy Court Judge John C. Ninfo, II advocates. After so many debtors in his court suggested that if someone had told them while they were students about the dangers and consequences of easy credit, they might not have ended up in his court, Judge Ninfo decided to do something about it. Over the past seven years, he has worked with the Education Division of the Credit Bureau to make numerous presentations to students age 10 and above.

See Bankruptcy Committee page 2



BANKRUPTCY EDUCATION PROGRAM — Members of the Monroe County Bar Association's Bankruptcy Committee have put together a plan for reaching a wider segment of the community with an educational program. Seated in the first row, from left to right: Richard P. Vullo, Esq.; Hope W. Olsson, Esq.; Chief Judge John C. Ninfo, II; Anne E. Miller-Hulbert, Esq. and Raja N. Sekharan, Esq. Second row: Warren H. Heilbrunner, Esq.; Anthony DeStaffan, Esq.; C. Bruce Lawrence, Esq.; Robert B. Gillin, Esq. and Christopher K. Werner, Esq. Third row: David H. Ealy, Esq.; Paul S. Groschadl, Esq.; Kevin J. Bambury, Esq.; Peter A. Lheron, Esq.; James W. Weidman, Esq. and Paul R. Warren, Esq., Clerk of the U.S. Bankruptcy Court for the Western District of New York. Missing from the photo: Douglas J. Lustig, Esq.; Lucien A. Morin, II, Esq.; George M. Reiber, Esq.; Louis A. Ryan, Esq.; Deborah Kall Schaal, Esq. and Kathleen D. Schmitt, Esq.

Bankruptcy Committee

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In speaking with students, Judge Ninfo found that many young people today are financially illiterate. They are caught up in our competitive consumption society, in part because their friends and families are, where the line between wants and needs has been totally blurred, and the philosophy is "just do it" — spend now and worry about the consequences later.

Many young people lack financially stable family and friend role models. They see only the *spend, spend, spend* philosophy on television and in movies. No one tells them about the tools they need to overcome temptations of societal pressures or how to avoid predatory lenders.

So Judge Ninfo has been making presentations about controlling finances and living within your means.

Now multiply that effort by 20. Twenty attorneys who are members of the Monroe County Bar Association Bankruptcy Committee and who have joined Judge Ninfo in the effort to educate area students.

Comments From The Bar

"We see people with 25 different credit cards that are caught in the web of never-ending debt," said Warren Heilbronner, Esq., who has seen some 10,000-bankruptcy cases through his 42 years in practice. "It is very sad to see how credit cards have caused disaster in so many lives. We live in a society where people feel 'we have to have it now' and purchase items on credit, beyond their needs and way beyond their budgets. If we can educate young people to only use credit for major purchases, we might prevent financial disasters that often also impact family relationships."

Hope Olsson, Esq., another active member of the bankruptcy bar, explained that requests for speakers on credit issues will be centralized through Judge Ninfo, and then attorneys from the group will sign up to fill the community needs.

"We are largely focused on preventing young people from shouldering tremendous debt burdens when they are just starting out in life and don't have the income levels to support such extravagance," said Olsson. "As practicing attorneys, we see more and more young people with serious financial problems. Not all of them end up filing for bankruptcy but they add layers of stress to their lives that aren't necessary."

Organizational Meeting Held

In a recent organizational meeting led by Judge Ninfo, the participants in the bankruptcy education program reviewed the most basic and important tools that students will need, which are included in a handout. They are:

(1) Learn to budget with a focus on needs versus wants;

(2) Know the true cost of consumer credit, why would you pay 20 percent interest, and if you do, you are buying or doing something you can't afford. (You may think you need it, like going to or sending a child to college, but if you do it at 20 percent interest, you can't afford it.);

(3) Pay your credit card balance every month, or if you have a balance analyze why. Did you have an emergency? Did you violate your budget?

(4) Add up your balances every month. Are they always increasing?

(5) Realize you are in trouble when you are credit kiting — paying your bills with credit;

(6) Have only one credit card. Among other things, it will force you to have a credit limit that in theory you can afford;

(7) For your one card — shop around to get the best deal;

(8) If you have debt, have a plan to pay it back and stick to it; and

(9) Use a debit card, a check or cash whenever possible.

For a more detailed list of "Credit Dos and Don'ts," see page 3 in today's paper.

Consequences Of Financial Problems

The presentations to students review the consequences of severe financial problems, which by the time they hit, it's often too late to do anything about. Some of the consequences include:

- ♦ Interpersonal relationship problems with family and friends;

- ♦ Depression;

- ♦ Suicide;

- ♦ Reduced performance at school or work;

- ♦ Failure to get promoted or losing a job because of poor performance or an employer's knowledge of your financial problems;

- ♦ Failure to get a job applied for;

- ♦ Having to drop out of school — more and more college students are;

- ♦ Having to go bankrupt;

- ♦ Not being able to rent that apartment or buy that car or house you wanted because of a bad credit rating;

- ♦ Not having the money to help your children get educated or to retire with dignity;

- ♦ Having creditors calling, suing, and taking judgments; and

- ♦ Having a reputation among friends, family and fellow workers that you had a bad judgment and lost control of your life.

Judge Ninfo hopes that anyone reading this article will discuss the tools and consequences with their children and grandchildren, and will call their schools and youth groups to ensure a member of this bankruptcy education initiative comes to their schools.

For more information, call (585) 263-3148 or send an e-mail to: webmaster@nywb.uscourts.gov.

List Of Credit Dos And Don'ts

BY JUDGE JOHN C. NINFO, II

The Cost Of Credit:

1. You don't need to be like so many others. You don't need to be an overspender or credit abuser even though the *temptation* is there. Not every one takes drugs, drinks too much, gambles too much or smokes. *Say no* to living beyond your means. Be in control of your finances. Be different. Be smart. Accumulate wealth.

2. In 2001, the average household credit card balance was \$7,000. At 20 percent interest the annual finance charge alone is \$1,400. (If you had an extra \$116 of disposable income a month, why would you have had to borrow \$7,000?) What if your household lived within its means and from age 25 to age 65 when you retired you invested that \$116 per month? Even at just compound interest with a reasonable rate of return you would have quite a nest egg.

3. The Real Cost of Credit — in contrast to living within your means, say you owe a department store a \$1,000 on a credit card. The annual percent rate is 21 percent, and you make the minimum payment but make no additional payments. When will this balance be paid off even if you make no additional charges? Depending upon which of the three methods the seller decides to use to calculate the finance charges, the earliest the balance will be paid off is 7 1/2 years and the least amount you will have paid will be \$2,000. Will you still remember what you bought and will you still be using it 7 or 8 years later? Know what credit is really costing you — 18 percent — 20 percent — 24 percent. That's money you don't have to do or buy something else. Why are you paying \$120 for that \$80 pair of sneakers? Every dollar spent on credit is a mortgage on future spending.

Using Credit Cards

4. Always have a *budget* and live within it.

5. Don't have more than *one credit card*. That's all you need for convenience or an emergency. If you are creditworthy you can get a credit line on that one card that will be adequate. Store accounts often charge higher interest rates and stores now all accept major credit cards.

6. For your one credit card — shop around and get the best deal, then read the agreement carefully and understand: (a) the interest rate on charges versus cash advances; (b) the default interest rate; (c) any fees — annual or for late payments; and (d) when payments are considered received.

7. If you can eat, drink or smoke it, don't charge it.

8. Use a debit card, a check or cash whenever possible — you will spend less.

9. If you are not paying off the balance on your credit card and store charges every month, analyze why — are you buying things you *don't need*? Understand the difference between wants and needs. If you *need* a winter coat, must it be Armani?

10. Add up the total outstanding balance on all of your credit cards and store charges at the end of every month to see how much you actually owe — you might be surprised.

11. Always have a *plan* to repay your debt. Don't use credit to get through hard times without first cutting expenses and then realistically plan for how you will pay the credit back.

12. *Stop* when you cannot pay your bills every month without taking a loan from a credit card or line of credit. You are in serious trouble.

13. If you don't carefully budget your monthly credit use and keep to it, on the 15th of the month call the 800 number on each of your credit cards and store charges to see how much you have charged. You might be surprised.

Students In College

14. When you go to college:

♦ On and near campus fellow students will be soliciting you to sign up for credit cards and they will offer you gifts and deals. They are doing themselves a favor, not you.

♦ Remember — some college students have committed suicide when they were faced with the reality of their overspending and abuse of credit.

15. If you have abused credit, overspent and had financial problems — it may affect your ability to get a job, especially a position where you have to deal with money or financial matters, and it may affect your ability to be promoted.



JUDGE JOHN C. NINFO, II

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